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# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Madison*

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WASHINGTON, D. C.

AUGUST 24, 1932

## PRESENT PRICE RISE CAREFULLY FOLLOWED

**Stock and Commodity Increases Bring Optimism to Many Who See Upward Trend**

### GENERAL BUSINESS AT LOW EBB

**Barometer of Activity Fails to Indicate Definite Improvement**

During the past month or so, people in all parts of the country have turned their attention to the business situation. From coast to coast there has grown a feeling on the part of large numbers that the pendulum has begun to swing in the opposite direction and that the nation is gradually emerging from the depression. Such a belief or optimistic spirit is not of course shared by all. There remain large groups who fail to see real signs of recovery. Others continue to doubt. They feel that there have been so many false alarms during the past three years that it would be foolish to interpret the present trend as a real upgrade movement.

#### THE TREND UPWARD

Despite these conflicting views, it will be noted that there have been several important developments since the middle of July which, whether they mark the beginning of the end of the depression or not, will stand out as interesting trends in the economic crisis. Among these are the upward movement in the price of stocks and bonds, the increase in the price of basic commodities—wheat, cotton, silver, sugar, copper, coffee, corn, rubber, silk, wool and hides—and a generally more hopeful attitude on the part of business and industrial leaders as well as the public at large.

The most spectacular of these movements has been the rise in price of stocks and the increased activity of the New York Stock Exchange, the central security market of the country. The week of August 8 to 13 was one of the most important in the recent history of the stock market. More shares of stock were sold than during any week since June 21, 1930. A total of more than 23,000,000 shares of stock changed hands. Prices rose to the highest levels in many weeks. A number of stocks had more than doubled in value since the early part of July. Some issues which were selling as low as \$8 or \$9 a share soared almost to \$20. The price of bonds, too, rose rapidly although in a less vertical manner.

The commodity markets were not less active. Wheat and cotton, the two drugs on the produce markets, made substantial gains. Several cents were added to each bushel of wheat sold at the Chicago Board of Trade. At the New York Cotton Exchange, the price of cotton increased almost \$5 a bale one day this month.

#### THE CAUSE

These upward movements may be attributed to a number of factors. That there has been increased confidence on the part of the investing public is evidenced by the large number of new buyers who have entered the market and purchased shares of stock in American corporations. This confidence in itself is indicative of a different attitude—a feeling that business

(Concluded on page 7)



STANLEY BALDWIN AT OTTAWA

## British Imperial Conference Nears Close as Interests of Commonwealth Conflict

The Ottawa Conference prepared to adjourn last week as hope grew stronger that the necessary agreements would be reached. Great Britain had successfully concluded negotiations with her dominions on a number of items, and there remained only two barriers to be surmounted before the meeting could bring its work to completion.

The first of these barriers was the disagreement between Britain on the one hand, and Canada on the other, over the question of Russian dumping. The Canadian delegation, under the direction of Prime Minister Bennett, took the position that trade agreements with the mother country were of no value if the Russians were to be permitted to sell goods in Britain at a price which no dominion could meet. The Canadians pointed out that Russia was forced to sell her products abroad in order to obtain the resources necessary to pay for her imports. Since the Soviet government has a monopoly on all foreign trade, and since it controls all production within the country, it can easily sell goods at a sacrifice. This competition the dominions cannot combat.

In opposition to this point of view, Stanley Baldwin, head of the British delegation and leader of the Conservative Party in Britain, let it be known that his country already had a trade agreement with the

Soviet government, which it did not feel justified in breaking. It was stated that the Soviets expect to purchase goods valued at \$150,000,000 in Great Britain next year. Britain is of course unwilling to sacrifice this trade as she is extremely reluctant to cultivate unfriendly relations with the Soviets.

Thus, the difference between Britain and Canada was not easy to settle. The leaders at the conference, however, expressed satisfaction over the progress of negotiations and seemed confident that a compromise would be arrived at, which would in some measure protect against Russian dumping, while at the same time not rupture Anglo-Soviet trade relations.

The second barrier which had to be overcome, concerned Great Britain's relations with Australia and New Zealand. Both of these dominions produce large quantities of beef which they desire to export. There is a market in Britain, but, unfortunately for the dominions, Britain buys from Argentina. Australia and New Zealand want protection against Argentina. Britain hesitates because she has nearly two billions invested in that country, the interest on which is paid by Argentine foreign trade. But notwithstanding these clashes of interest, the conference was still confident of success and a ship was waiting to take the British delegation to England.

## PRESIDENT CLARIFIES POLICIES IN SPEECH

**Acceptance Address Strikes Conservative Attitude Opposing Changes in Government**

### FAVORS CHANGE IN DRY LAW

**But Insists on Substitute Amendment; Position on War Debts Vague**

In the course of the presidential campaign a number of speeches will be made on behalf of the Republican Party. Administration leaders, congressmen and politicians known in states and localities, will from time to time address their fellow citizens, urging them to return the party to power in November. However, it is almost a certainty that none of these discourses yet to be delivered will approach President Hoover's acceptance speech of August 11 in importance. It seems even more true to say that throughout the entire campaign the president's address will be frequently referred to and quoted, and that it will receive recognition as the outstanding declaration of Republican campaign policy.

Unlike any statement made thus far by his opponent, President Hoover's speech overshadows the platform adopted by his party, and definitely thrusts that document into the background. It is on this address rather than on the platform, that the Republican campaign will be based. For that reason it deserves careful study by every citizen who will cast a vote at the polls next November.

#### THE HOOVER POSITION

The speech is important not so much on account of the position taken by President Hoover on the issues before the country. With the exception of his views on prohibition, his attitude toward the questions of the day are well known and have frequently been stated by him. The address demands consideration because Mr. Hoover has plainly told the country what it may expect of the Republican Party in the event of his reelection. He has given his philosophy of government, has outlined the principles to which he is pledged, and has explained the course of action which he has already undertaken.

Examination of the president's words leaves no doubt that his position is definitely conservative. He firmly believes that the principles upon which this government was founded are sound and should remain fixed. He pronounces himself opposed to the making of changes in the structure of our government. He believes that the government should leave as much individual liberty to the citizen as possible. It should stay out of business and should not infringe upon private initiative. Mr. Hoover is convinced that with the help of certain emergency measures we shall come out of the depression without undue difficulty. He believes that we should continue to go along as we have been going without the far-reaching alterations advocated by many people. He says:

It does not follow, because our difficulties are stupendous, because there are some souls timorous enough to doubt the validity and effectiveness of our ideals and our system, that we must turn to a state-controlled or state-directed social or economic system in order to cure our troubles. That is not liber-



alism; that is tyranny. It is the regimentation of men under autocratic bureaucracy with all its extinction of liberty, of hope and of opportunity.

It is curious to note that the president has not, as is usual in acceptance speeches, directed his attack against his only real political opponent, Governor Roosevelt. While the Democratic candidate has promised to break down "foolish traditions" it is not thought that he is contemplating tampering with our governmental institutions. Mr. Hoover seems more, as one commentator has put it, to be "shaking his finger in the direction of Norman Thomas." He is rebuking all those who think that our system of government is inadequate and that the time has come to build a new foundation along principles which are decidedly socialistic. The fact that the president saw fit to make such a statement tends to indicate that he has found the talk about proposed changes exceedingly disquieting.

#### FUNCTION OF GOVERNMENT

The president undertakes to make clear his own position with regard to the function of government. He states what he thinks it should do in a time like the present. The following paragraphs taken from his speech of acceptance contain, in terms which cannot be misunderstood, Mr. Hoover's ideas about government. Because of their significance they are quoted in full:

The function of the Federal Government in these times is to use its reserve powers and its strength for the protection of citizens and local governments by the support to our institutions against forces beyond their control. It is not the function of the government to relieve individuals of their responsibilities to their neighbors, or to relieve private institutions of their responsibilities to the public, or of local government to the states, or the responsibilities of state governments to the Federal Government. In giving that protection and that aid the Federal Government must insist that all of them exert their responsibilities in full. It is vital that the programs of the government shall not compete with or replace any of them but shall add to their initiative and to their strength. It is vital that by the use of public revenues and public credit in emergency that the nation shall be strengthened and not weakened.

And in all these emergencies and crises and in all our future policies we must also preserve the fundamental principles of our social and our economic system. That system is founded on the conception of ordered freedom. The test of that freedom is that there should be maintained equality of opportunity to every individual so that he may achieve for himself the best to which his character, his ability and his ambition entitle him.

It is only by this release of initiative, this insistence upon individual responsibility, that we accrue the great sums of individual accomplishment which carry this nation forward. This is not an individualism which permits men to run riot in selfishness or to override equality of opportunity in others. It permits no violation of ordered liberty. In the race after the false gods of materialism men and groups have forgotten their country. Equality of opportunity contains no conception of exploitation by any selfish, or ruthless, or class-minded men or groups. They have no place in the American system. And as against these stand the guiding ideals and concepts of our nation, and I propose to maintain them.

We (the Republican Party) have held that the Federal Government should in the presence of grave national danger use its powers to give leadership to the initiative, the courage and the fortitude of the people themselves; but it must insist upon individual, community and state responsibility. That it should furnish leadership to assure the coordination and unity of all existing agencies, governmental and private, for economic and humanitarian action. That where it becomes necessary to meet emergencies beyond the power of these agencies by the creation of new Government instrumentalities, that they should be of such character as not to supplant or weaken, but rather to supplement and strengthen, the initiative and enterprise of our people. That they must, directly or indirectly, serve all the people. Above all, that they should be set up in such form that once the emergency is passed they can and must be demobilized and withdrawn, leaving our governmental, our economic and our social structure, strong and whole.

We have not feared boldly to adopt unprecedented measures to meet the unprecedented violence of the storm. But, because we kept ever before us these eternal principles of our nation, the American Government in its ideals is the same as it was when the people gave the Presidency to my trust. We shall keep it so.

The above paragraphs make it apparent

that if President Hoover is reelected in November he will endeavor during the next four years to keep the institutions of government exactly as they were entrusted to him, and will not sanction the introduction of any far-reaching changes. It seems that he will take a stand against such proposals as national planning under federal supervision, federal unemployment insurance, old age pensions and other measures which have from time to time been advocated to avoid future depressions. President Hoover does not believe such measures necessary. He thinks that the care of the unemployed and of the aged destitute should be left to the states and localities. He thinks that business is fully capable of taking care of itself and that the government should not undertake to regulate it.

Briefly, his speech is a restatement and an amplification of the doctrine of "rugged

tention of the amendment, and the others insisting that he come out for repeal.

The president chose to steer a middle course, although he inclined more to the wet side than to the dry. He stated that he had arrived at the belief that a "change is necessary by which we resumption a proper share of initiative and responsibility which the very essence of our government demands shall rest upon the states and local authorities." He continues:

It is my conviction that the nature of this change, and one upon which all reasonable people can find common ground, is that each state shall be given the right to deal with the problem as it may determine, but subject to absolute guaranties in the Constitution of the United States from interference and invasion by its neighbors, and that in no part of the United States shall there be a return of the saloon system, with its inevitable political and social corruption and its organized inter-



ON OUR WAY —Hanny in Philadelphia INQUIRER

individualism." He makes an appeal to all those who believe in this principle to support him. He asks all who think that our system of government should continue to function in the future just as it has in the past to reelect him in November.

#### PROHIBITION

For the rest, President Hoover's speech strikes a familiar note. As on other occasions, he traced the course of the depression from its beginning to the present time. He described the function of the various relief agencies such as the Reconstruction Finance Corporation, which he has caused to be established. He told what the government has done to cope with the situation which has enveloped the country.

Toward the end of his speech he restated his position on a score or more important issues. His most important declaration of policy, and the one which naturally attracted the nation's attention, was with reference to the prohibition question.

Ever since the adoption of the Republican platform plank—advocating resubmission of the prohibition issue, but stipulating that if a change is to be made it should lie in the form of a substitute amendment barring the saloon and protecting states wishing to remain dry—there has been a great deal of speculation over the stand the president would take personally. It is known that great pressure was brought to bear upon him by both dry and wet forces, the ones urging him to advocate re-

ference with other states and other communities.

Thus the president has gone beyond the Republican Party platform. He not only recognizes the need for resubmission, but actually favors a change. This is a victory for the wets, and the dries can only comfort themselves with the thought that the Republican Party does not bind its members to espouse the wet cause, and that the party pledges itself to protect dry states and to bar the saloon in the event of a change in the law.

#### OTHER ISSUES

The president reiterated his position on a number of other questions. He pronounced himself as "squarely for the protective tariff," and denounced the tariff policies of the Democrats, saying that their competitive tariff for revenue would place "our farmers and our workers in competition with peasant and sweated labor products from abroad." He defended the Tariff Commission which has been under fire from Democratic quarters.

Mr. Hoover demanded an adequate army and navy, but favored arms reduction in conjunction with other nations. He upheld his policy of "rigidly restricted immigration." He reaffirmed his position against government operation of the power business, advocated the reform of banking laws to protect the banking system, insisted upon a balanced budget as the "foundation of all public and private financial stability,"

and stated the necessity of reducing government expenditures. Mr. Hoover urged the abolishment of obsolete government bureaus and commissions, came to the defense of the Farm Board and commented on the progress of the St. Lawrence Waterway project.

On all these subjects the president's position was clearly stated and left no confusion in the minds of the public. However, his statement with regard to the problem of war debts was guarded and is difficult to interpret. Mr. Hoover said:

I am hopeful of such drastic reduction of world armaments as will save the taxpayers in debtor countries a large part of the cost of their payments to us and if for any particular annual payment we were offered some other tangible form of compensation such as the expansion of markets for American agriculture and labor, and the restoration and maintenance of our prosperity, then I am sure our citizens would consider such a proposal. But it is a certainty that these debts must not be canceled or these burdens transferred to the backs of the American people.

It is obvious that Mr. Hoover's actual position remains to be clarified. He apparently envisages some sort of compensation, either in disarmament or trade advantages, in return for the cancellation of certain specific annual payments. But he seems opposed to complete cancellation.

With respect to matters of foreign policy, the president advocated entry into the World Court subject to "proper reservations," and outlined the steps he has taken to transform the "Kellogg-Briand pact from an inspiring outlawry of war to an organized instrument for peaceful settlements backed by mobilized world public opinion against aggression." He reiterated the doctrine of non-recognition of "title to possession of territory gained in violation of the peace pacts," and announced that the American government would freely consult with other nations in emergencies but that it would "enter into no agreements committing us to any future course of action or which call for use of force in order to preserve peace."

President Hoover's speech of acceptance was received throughout the country as a sincere statement of the efforts he has put forward to combat the depression. The closing words of his address are perhaps the most eloquent he has ever voiced:

I have but one desire; that is, to see my country again on the road to prosperity which shall be more sane and lasting through the lesson of this experience, to see the principles and ideals of the American people perpetuated.

I rest the case of the Republican party on the intelligence and the just discernment of the American people. Should my countrymen again place upon me the responsibilities of this high office, I shall carry forward the work of reconstruction.

I shall hope long before another four years have passed to see the world prosperous and at peace and every American home again in the sunshine of genuine progress and genuine prosperity. I shall seek to maintain untarnished and unweakened those fundamental traditions and principles upon which our nation was founded and upon which it has grown. I shall invite and welcome the help of every man and woman in the preservation of the United States for the happiness of its people. This is my pledge to the Nation and my pledge to the Almighty God.

#### JAPAN AND RUSSIA

After a year and a half of negotiation and dispute, Japan and Soviet Russia have reached an agreement on one of the most potential causes of friction between them, the fisheries and fishing rights in the Pacific Ocean. On August 14, the Russian government announced that it had signed a treaty with Japan settling the issue at least until 1936, when the treaty expires.

It is understood that the Russians made the greater concessions in acceding to Japanese demands. They agreed not to sell at auction some 300 fisheries along the Pacific Coast which are now operated by the Japanese under concession. This agreement will assure the Japanese the right to continue their operations until 1936.

The conclusion of such an agreement and the settlement of such a thorny problem is regarded as particularly significant at this time. For several months, the relations of Japan and Russia have been none too friendly.



## Spanish Royalist Groups Quickly Defeated in Attempt to Reestablish Monarchy

Plans to overthrow the republican government of Spain and restore monarchy in its stead were rapidly frustrated on August 11. Although disturbances of a relatively serious nature broke out in several Spanish cities of strategic importance, the movement was practically quelled within twenty-four hours. Only one important city, Seville, was actually taken by the royalists and that city was wrested from their power with comparative ease by the federal government.

The failure of this plot against the government was due to several factors. The major cause appears to have been the lack of an effective organization among the rebels. Five generals were supposed to have directed the operations in various sections of the country. Of these, two were actually unprepared to oust the officials of the government in the regions assigned to them. Two others made unsuccessful attempts and were routed by federal troops. General Jose Sanjurjo, who headed the revolt, was the only one to win a temporary victory when he was able to seize the government buildings in Seville.

The importance of the attempted revolution in Spain does not lie in the actual extent of the fighting, but rather in the clash of interests of which it was an outward demonstration. Ever since the birth of the Spanish Republic on April 14, 1931, there has been a conflict between the forces of monarchy and those of republicanism. While the revolution which sent King Alfonso XIII into exile was accomplished with little bloodshed, it did not appease all the elements of Spanish political life. There were at that time, as there are today, large groups who tacitly supported the monarchy and longed for its return to power.

During the past sixteen months, the royalists have been the source of considerable worry to the heads of the government. In three of Spain's principal cities—Madrid, Barcelona and Seville—occasional uprisings have taken place, the most important, of course, being that of the present month. A little more than a year ago there were clashes in Seville in which the government was successful.

In February of this year the monarchist movement again became the principal issue in Spain. Early in that month a manifesto, supposedly issued by the exiled king, called upon the Spanish people to rise up against the government and restore the monarchy. Although Alfonso denied cate-

gorically any association with such a plot, the manifesto caused considerable uneasiness throughout the country. A few weeks later, several hundred young monarchists started riots in Madrid, but the police were able to cope with the situation and restore order. Again in May the royalists became active. This time their activities centered in Seville. Rebels rose up in arms demanding the return of Alfonso to the throne. These sporadic disturbances have revealed the potential conflict between monarchist and republican elements in Spain.

The difficulties of the government have not, however, been confined to its clashes with royalists. Equally important have been the open conflicts with radical groups, such as the communists, anarchists and syndicalists, which have been attempting to set up a government more suitable to their desires and political theories. The activities of these groups have largely centered upon Barcelona, which is known to be more kindly disposed to radicalism than other sections because of the industrial character of the population. None of these movements has brought forth concrete results except the arrest of the instigators and leading participants.

The third conflict of interest in the new Spain has been between the government and the Jesuit order of the Roman Catholic Church. These differences have not resulted in violence. The principal objection of the government to the Jesuits was that they were supposedly in favor of the reestablishment of the monarchy. In order to curb the movement, the Jesuit order was suppressed and its properties confiscated early this spring.

While rumors that Alfonso was responsible for the recent uprising were circulated throughout Spain, the facts do not seem to support that belief. Monarchist leaders in the army alone are said to have attempted the movement. The loyalty of General Sanjurjo has often been questioned. He played a conspicuous role in military affairs under the old régime, both during the dictatorship of Primo de Rivera and following his death. It was he who escorted the former queen to the border when she was fleeing into exile.

The failure of the monarchists in their recent rebellion, as well as in other disturbances to gain headway against the government, may largely be attributed to their lack of popular support. They have failed to arouse the masses of Spaniards to

their cause. In fact, during their recent exploits, popular feeling against their movement reached great heights. Not since the ascendancy of republicanism have the people been stirred to such a degree. In Barcelona, demonstrations were staged in which the people voiced their opposition to the royalists. In Madrid, the people demanded the execution of the leaders of the movement for high treason and the punishment of participants.

But the greatest protest took place in the city which the monarchists had captured, Seville. Mobs surged forth, took possession of, and set fire to the building of a leading



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MADRID—THE ALCALA, A BUSY THOROUGHFARE AND A FAVORITE PROMENADE.

### THOUGHTS AND SMILES

No crisis in any country was ever solved by the simple process of running around in short circles and screaming, "Isn't this awful!"

—Heywood Brown

Build a good mouse trap and the world will beat a path to your door, says the old proverb. And the same thing will happen if you have a sharp lawn mower.

—Rocky Mountain News

A horse called Microphone won a recent Saratoga race. A sound animal, of course.

—New York Sun

If you give men of responsibility time to think, if they can secrete themselves in a small room and meditate, by some miracle they begin to think in terms of solution instead of speech-making.

—Justice Brandeis

"A man who is truly great," said Hi Ho, the sage of Chinatown, "is one who can be remembered for his merits and not for his faults."

—Washington Star

There is said to be a layer of coal under the whole area of London. We thought that our street-excavators must have some definite object.

—London Punch

The old question as to whether it is a "setting" or a "sitting" hen has again been raised by a trade journal, but the arguments pro and con have not changed our mind concerning the matter. It's still our conviction that when a hen is set on sitting she sits.

—Philadelphia Inquirer

Probably in naming an automobile man to the Commerce Department Mr. Hoover thinks the country can get free wheeling and a little wizard control.

—New York Sun

That is the best government which desires to make the people happy, and knows how to make them happy.

—Macaulay

What we're afraid of is that just as the campaign gets started somebody will distract attention from it by putting on another contract-bridge contest.

—New York Herald-Tribune

The worst of it is that when confidence returns, the confidence men will return.

—Arizona Producer

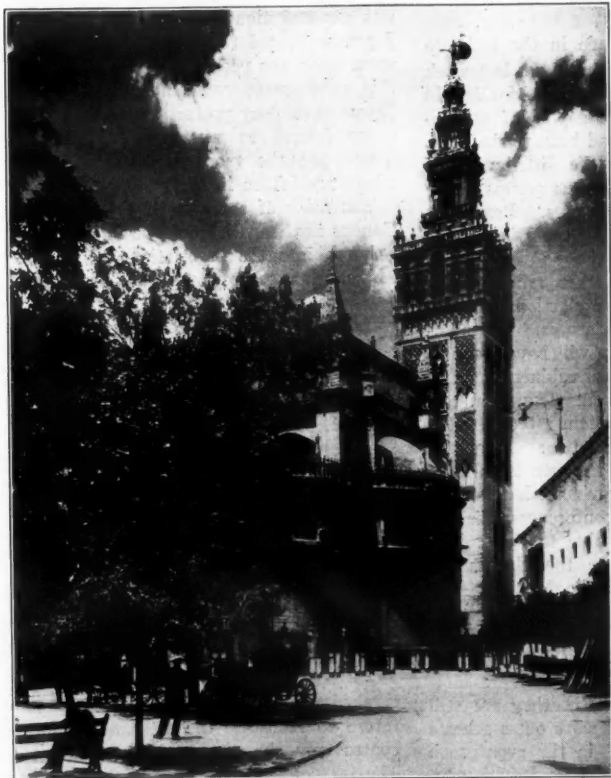
A habitual bathtub singer of Memphis is to be given a concert tryout. This sounds like the victory of a smart wife. If he succeeds he won't risk his throat in the mornings any more, and if he fails he'll be ashamed to go back to bathtub singing.

—Detroit Free Press

An explorer has discovered that an African tribe beats the ground with sticks as a sign of anger. Well, well, fancy golf spreading to Equatorial Africa.

—London Sporting and Dramatic News

**PRONUNCIATIONS:** Gayl (pronounced as the word guile); Pavlowa (pav-lo'va—o as in go); Sikh (seek); Hergesheimer (hair'ge-shi'mer—g as in get, i as in time); Rauschenbush (row'shen-bush—ow as in cow); Maugham (mawm); Heywood Brown (hay'-wood broon); Brandeis (bran-dice'); Seville (se-veel'); Sanjurjo (sahn-hoor'ho); Azafia (a-thahn'ya).



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SEVILLE — THE GIRALDA, AN ARCHITECTURAL GEM BUILT CENTURIES AGO



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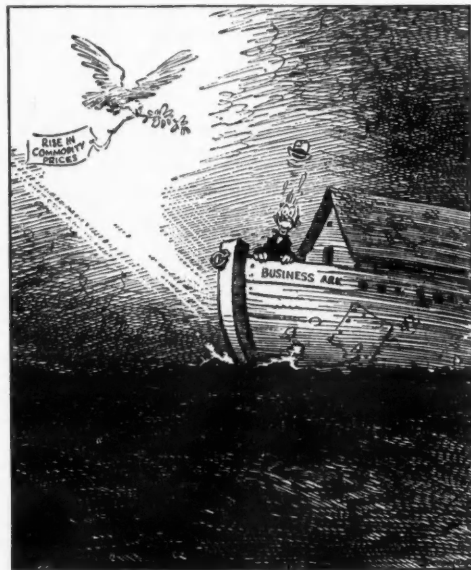
### REVIEW OF THE WEEK

ON August 26, President Hoover will confer in Washington with leading business and industrial leaders from all sections of the country on plans to stimulate business recovery. The conference has been called in conformity with a desire on the part of the president to launch a united attack upon the forces of depression. Those attending the economic parley will be the members of the twelve committees of industrialists recently organized in the twelve Federal Reserve districts. The first of these committees was formed in New York City and is under the chairmanship of Owen D. Young. (See AMERICAN OBSERVER, June 1.)

It is understood that all aspects of the business situation will be canvassed at the White House conference. Methods of granting greater credit facilities to insure the consumption of goods, means of assisting agriculturalists and live stock producers, the spreading of employment to larger numbers, further help to the railroads, are some of the topics which will come up for consideration.

The existence of the twelve committees affords the president an excellent opportunity to discuss these problems with leaders of all sections of the country and representing all branches of economic activity. These groups are made up of bankers, industrialists, railroad presidents, and agriculturists. The conference will constitute one of the most important attempts of the government and private business to coördinate their activities toward the restoration of more normal conditions.

GOVERNOR FRANKLIN D. ROOSEVELT and Speaker John N. Garner held their first conversations since their selection to head the Democratic ticket in New York last week. The two candidates discussed plans for the coming campaign and decided upon political strategy to be used in attempting to defeat President Hoover in November. It was agreed that Mr. Garner should give several addresses in eastern cities during the course of the campaign. This announcement came some-



HOPE  
—From the Chicago DAILY NEWS

what as a surprise because it had previously been rumored that the speaker's oratory would be confined to the western section of the country.

This decision is in accordance with the general strategy of the Democrats in the East. In the large eastern cities, both Mr. Roosevelt and Mr. Garner will undertake to prove to the voting masses that they are not radical and do not represent extreme political views. They will strive to make the people feel that the Democratic Party is "safe" and that they have little to fear that if elected they would tamper with American principles and institutions.

During his visit in New York, Mr. Garner went to great lengths to dissipate these rumors which have gained considerable headway since his nomination for the vice-presidency. Speaking before a group of Democratic leaders from eastern states, Mr. Garner laid particular emphasis upon the fact that he was in sympathy with the people of the East. "I want you to know that I have been in accord with the people in the eastern section of the United States for the past thirty years," he said. "I think I rather understand their ideas somewhat and I am firmly convinced that I can work with them in the matter of legislation."

A SITUATION which may be termed nothing less than explosive prevails in Germany. Hitler has been definitely refused the post of chancellor which he has sought in interviews with von Papen, von Schleicher, and von Hindenburg. He was offered the vice-chancellorship together with the Prussian premiership, but he declined. The Nazi leader told President von Hindenburg in a dramatic meeting that he wanted "the same position that Mussolini received after the 'march on Rome.'"

His hopes in this direction having been frustrated, Hitler announced that he and his followers would offer determined opposition to what he termed a von Papen-Schleicher dictatorship which had no party support and which would "lead Germany into chaos." He did not announce what form this opposition would take, but there was a distinct possibility that the situation would become so tense that violence would result. It was known that the government held a signed decree in readiness which, if promulgated, would declare all Germany in a state of emergency. Every possible means of preventing disorder was being used. However, it was thought that Hitler would wait until the end of the month when the Reichstag meets and then make another attempt to force the von Papen government out of office.

Meanwhile von Papen and von Schleicher let it be known that they fully intend to retain control of the government. They are prepared to defy the Reichstag, and seem determined to make good von Schleicher's earlier statement that they are in power for at least four years. In order further to strengthen their position and to give greater centralization to the

German government, they have set about instituting several important constitutional changes.

The nature of these proposed changes was announced on August 11, the anniversary of the birth of the republic, in a speech by Baron von Gayl, minister of the interior. The constitution was held inadequate, and the following fundamental alterations were recommended: 1. A change in the electoral law, permitting the people to vote for distinct personalities rather than for party tickets as they do at present; 2. Raising the voting age to deprive the immature of a voice in the government; 3. Electoral reform to do away with numerous minority parties; 4. Greater coördination between the governments of Prussia and Germany proper; 5. Reorganization of the Reichsrat, to make the upper house a stronger body and a greater check on the Reichstag.

REPORTS that the Soviet government would soon sell bonds in this country were received with considerable interest by financial and commercial organizations on August 11. It is said that an unlimited quantity of these Russian bonds will be sold to American as well as to foreign investors. The bonds would bear interest at the rate of ten per cent a year, would be redeemable in gold at any time upon the demand of the holder and would mature at the end of ten years. In order to avoid the difficulty of floating them on the market here, they will be held by the central bank in Moscow until the foreign currency is sent to it, and then they will be delivered to the American bank.

This plan marks a decidedly important development in the commercial relations of the United States and the Soviet Union. Since the establishment of the communistic government in Russia, American investors have been hesitant to lend money to the Soviets, due largely to the fact that this government has consistently failed to extend recognition to that nation and to the fact that the Soviet government repudiated certain debts owed American banks and private citizens by previous governments of Russia.

For some time, however, leading bankers have urged the government in Washington to establish closer relations with Russia in order to increase our trade with that country. They have felt that one of the greatest markets for American products is to be found in Russia if steps are taken to facilitate that commerce. Recently it was rumored that the government had under consideration a proposition to send an unofficial representative to Moscow for the purpose of stimulating Russo-American trade.

It is thought that the sale of Russian bonds in this country would enable the Soviets to purchase larger quantities of American products, particularly farm and electrical machinery, automobiles and other equipment necessary to carry out their program of industrialization. In the past, their purchases have been limited because of their inability to obtain funds with which to make payment. They have been obliged to dump their products on foreign markets at unprofitable prices in order to buy the necessary equipment. The sale of bonds, however, would enable them to finance imports without depriving their own citizens of many of the necessities of life.

PROGRESS was made in the ultimate solution of India's problems last week when Prime Minister Ramsay MacDonald announced that a definite plan of government for that nation had been worked out. The plan provides for the distribution of seats to the various religious groups in the legislatures of the provinces. Provisions have been made whereby the Hindus, the Moslems, the Sikhs, the so-called "Untouchables," and the other religious elements will hold separate elections for representatives in the legislatures. The number of seats each group will have has also been fixed by the British cabinet.

The British government stepped in and decided upon such a system after repeated failures of the Indians to agree among themselves as to the representation they should have in the provincial legislatures. At both round table conferences, the Indian delegates were unable to agree. Particularly vehement were the clashes between the Hindus and the Moslems—the two major religious elements of India.

It is not expected that the solution will satisfy any of the Indians because none of the groups has attained the representation demanded by it. But they are still given an opportunity to work out a scheme among themselves and, in the event such an agreement is reached, the British government will be willing to substitute the Indians' program for that worked out by Mr. MacDonald and his cabinet.



SNUFFED OUT  
—Tailor in Washington News

The new system of government for India will not, of course, become effective until it is ratified by the British Parliament. It will not come up for the consideration of that body until this winter or next spring. That will give the Hindus, the Moslems and the Sikhs a further opportunity to devise another plan if the British proposal does not suit them.

The settlement of the problem of representation in the legislatures would mark a decided step forward in the establishment of a more democratic government for India. But it would not solve all the problems. The major task of deciding upon representation in the federal assembly remains to be undertaken. Before definite action on this matter can be taken, it will be necessary for the government to reach an agreement with the native princes who control independent or semi-independent states within the territory of India.

THE Lytton commission, appointed several months ago by the League of Nations to investigate the Manchurian situation, is completing its report and will present it at the League meeting next month. The contents of the report as now drafted are no secret, and considerable alarm is felt over the situation likely to be created if the commission presents its findings to the League in their present form.

The report, without quibbling, places responsibility for the Manchurian incident upon Japan. It states that the offensive was planned months beforehand; that the Japanese forced the Manchoukuo government upon the people of Manchuria; that this government could not exist without Japanese military protection; that the Japanese intend to remain in Manchuria. These are the more important charges. There are fifteen in all.

The filing of a report of this nature at Geneva next month would be like dropping a bomb into the negotiations to end the Manchurian controversy. It is said that Japanese resentment would result in the withdrawal of that country from the League. Several nations, notably Great Britain, appear anxious to have this report toned down before it is delivered. They are anxious to prevent a rupture of relations between the League and Japan, and the British are finding Japanese control of Manchuria to their own commercial advantage.

The British, therefore, appear to be adopting a much more moderate point of view toward the Japanese advance into Manchuria. On the other hand the attitude of the American government has noticeably stiffened. Secretary Stimson's recent speech on the Briand-Kellogg Pact is taken as a warning to Japan that we will refuse to recognize the settlement of the controversy she apparently has in mind. The fact of probable Anglo-American disagreement will serve further to complicate the situation when the Lytton report is presented to the League of Nations.



## THE LIBRARY TABLE

### THE POWER QUESTION

We hear a great deal about the power question, but what is that question, after all? What is the power issue? What, if anything, is the matter with the economic system by which power is generated, distributed and sold to consumers in the United States? What control over the process is exercised by the government, and what extension of that control, if any, should be brought about? These are some of the questions which Stephen Rauschenbush answers in "The Power Fight" (New York: The New Republic. \$1.00).

Mr. Rauschenbush believes in public ownership of power plants. He thinks the public, either municipalities, states, or nation, should be responsible for the generation, transmission and sale of electric power. But he does not attack the power companies. Rather, he undertakes to explain their actions and the effects thereof upon consumers. He contends that power companies are overcapitalized and that they charge twice as much for power as the public would need to pay under a system organized for use and service rather than for private profit. He has brought together a commanding array of figures to support his conclusions as to the financing of power companies and as to their charges.

### A POLITICAL CRITIC SPEAKS

Elmer Davis, a newspaper correspondent and magazine contributor, has written a very thoughtful article on "The Collapse of Politics" for the September *Harper's*. Mr. Davis considers the Republican and Democratic parties and candidates to be hopelessly inadequate to the solution of such problems as today confront the American people. They have no plans for the relief of unemployment distress; and worse yet, they ignore the problem of unemployment prevention. They ignore the possibility of economic planning. They are concerned with the selection of men who may be elected to office rather than men who may lead the nation out of crisis and into an era of stabilized economic life. He quotes this dispatch to the *New York Times*:

The Republicans will seek to frighten the country at the prospect of turning over the government in a critical time to Roosevelt, "a fake liberal without a program" and to Garner, "waster of the public fund." The picture which the Democrats will paint of President Hoover will be that of a bewildered man without any fixed convictions, coming belatedly to positions recently denounced and attacking those who still advocate that which he has abandoned.

To this Mr. Davis adds:

Unfortunately, both of those arguments are perfectly true. We cannot afford, in a time which needs clear thinking and resolute decision, such a president as Herbert Hoover has been, and Franklin D. Roosevelt would almost certainly be. But what else can we get?

Apparently Mr. Davis thinks that we will have a continuation of weak and ineffective government by politicians for a time. Then we may possibly have revolution. He hopes not, for he has no stomach for revolution. He says he cares no more for Communism than Calvin Coolidge does, and that anarchy would be still worse. The possibility of disorder when the hungry millions are no longer fed suggests to him the need for positive and clear-sighted action, looking toward the stabilization of industry and the prevention of panics. For the present, he looks with favor upon the candidacy of Norman Thomas. He agrees that a vote for Thomas this fall would probably be a vote thrown away. But, he says—

... to vote for Hoover or Roosevelt is also to throw your vote away, if you want a government that will try seriously and intelligently to do something to cure the present sickness of society. And five or six million votes for Thomas this fall would not be thrown away; they would throw a scare into one or both of the old parties and bring American politics a little closer to reality.

### "BALLERINA"

The third novel of Lady Eleanor Smith, a brilliant young British writer, has recently been published in this country. "Ballerina" (Indianapolis: The Bobbs-Merrill Company. \$2.50) is in many respects a more successful novel than Lady Smith's previous works, "Flamenco" and "Red Wagon." It has the qualities of clarity of expression, vividness of style and swiftness of action. It succeeds in portraying the career of a dancer of the middle period of the past century who, while purely a creature of fiction, is made real by the pen of this writer. One might even expect to read about Lina Varsovina, the "Ballerina," in the pages of history along with the actual figures who adorned the period of the Second Empire.

In creating this prima ballerina who held all Europe under her spell for many years, Lady Eleanor has used certain characteristics of great dancers who have actually lived. One recognizes in certain episodes Pavlova and elsewhere La Argentina, who today commands much respect as a gifted

dancer. This fact, coupled with the use of actual historical characters, tends to lend realism to the novel and holds the attention of the reader throughout.

The ballerina was born Pauline Varley, daughter of an English father and a Jewish mother. From her mother, she inherited the burning desire to become a great dancer; from her father the occasion to enter upon her career as a performer in a circus. At the age of fifteen, she joined a circus by marrying an eccentric juggler, and became his partner. In Belgium, her talent was recognized by Stanislas Rosing, formerly a member of the Russian Imperial ballet and one of Europe's great dancers. She left her husband, became a pupil of Rosing, spent years of arduous training, and finally became a member of the ballet of the Scala theatre in Milan, Italy. It was Rosing who gave her the Russian name of Varsovina. It was he who provided for her debut at Naples, which resulted in her world-wide fame.

Throughout the pages of this book, we follow the ballerina from city to city. Her peculiarities become more apparent as the plot progresses. Her love for a young English student whom she meets in Paris constitutes one of the interesting, if not realistic, episodes of the story. But if the reader feels that he knows Lina Varsovina, it is not because Lady Smith has dealt in lengthy descriptions or has resorted to philosophizing. The effects are brought out by means of action and events. In this respect "Ballerina" belongs not essentially to the modern school of fiction but rather to the more romantic period.

"Ballerina" is by no means the perfect novel. It has many serious defects. Lady Eleanor has shown a certain lack of skill in the handling and disposal of some of her characters. She has failed to make the most of the opportunities offered by the plot. These defects, however, are technical in nature and do not detract from the interest in her story.

### GERMANY

The title of Joseph Hergesheimer's latest work, "Berlin" (New York: Alfred A. Knopf. \$2.50) is somewhat misleading for in reality it does not treat solely of the capital of Germany but carries the reader to other important European centers such as Vienna, Munich, and Budapest. The personal and intimate touch of Mr. Hergesheimer adds greatly to the freshness of his book and removes from it all traces of the stodgy travel book. The author is not particularly interested in museums and art galleries and does not take his readers to the tourists' haunts.

But he is interested in the people, their thoughts, their manner of living since the war. As a result, he goes from café to café, to the mountains of Bavaria where peasants wear their native costumes. He analyzes the new spirit which has taken possession of the young people—a spirit which lacks much of the exuberance and optimism of the pre-war period and which is generally a feeling of disillusionment. Mr. Hergesheimer appears to be more impressed by the new Europe than the old, although in certain sections of the book one recognizes a definite conflict of emotions within his being.

The spirit of Vienna did



FROM THE JACKET DESIGN OF "BALLERINA"

not fail to depress Mr. Hergesheimer as it has depressed other visitors of recent years. "The Spirit of Vienna," he says, "was more subdued, wearier, than I liked. It had been deeply impoverished. A graceful and faded city bathed in the twilight of the Hapsburgs, an ended dynasty."

"Berlin" is an exceptionally well written book. It is pure in style, and free from exaggerations. Perhaps Mr. Hergesheimer does become a bit sentimental in spots, but this is excusable because of his complete sincerity. His sincerity cannot be questioned in the following description of his impressions while traveling in the mountains of Bavaria:

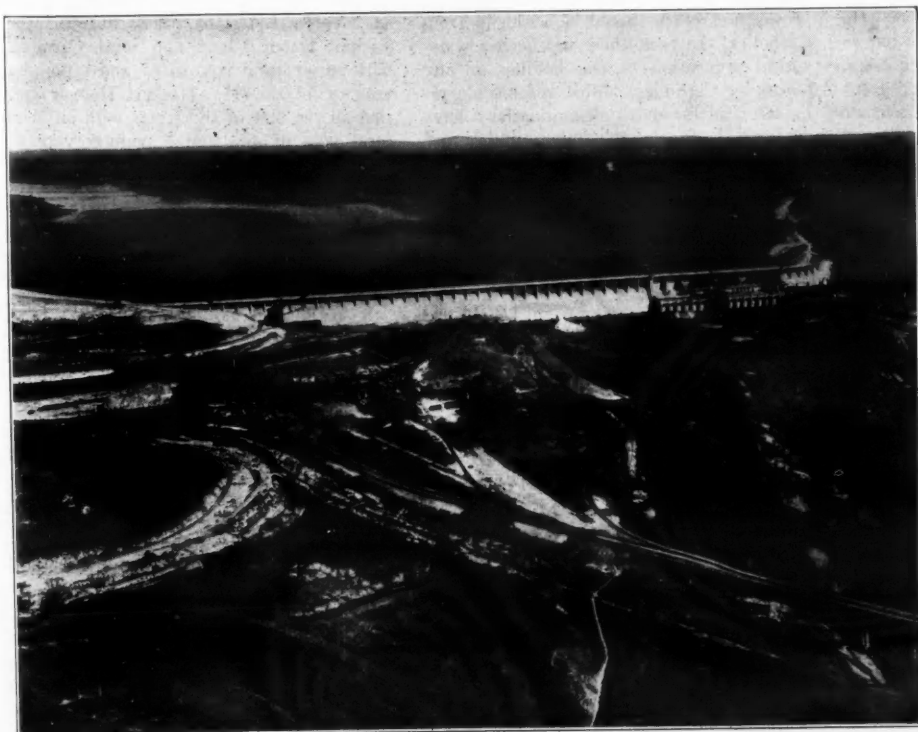
I would have gladly surrendered every one I knew, the books I had written, the fine old simplicity of the Dower House, to live on the high, flowery meadows above the Tegernsee. An Alpine dwelling with a painted gable, a Bavarian wife, sturdy Bavarian children, girls and boys. It would soothe me to have a spiritual confessor to absorb and remit my small delinquencies, a clerical staff, a church and assurances of the future, for my support. But, more than that, I envied the men of Tegernsee their physical adequacy, the ability to walk and climb all day and night and all day again.

### A LITERARY BARGAIN

Seldom has a more distinguished collection of literary works in the English language been gathered into a popular priced edition than those contained in "The London Omnibus" (New York: Doubleday, Doran and Co. \$2.50). Here are more than 1,500 pages of the best that was written in Great Britain during the past decade. Here are found works by such well-known writers as H. G. Wells, Arnold Bennett, Aldous Huxley, Richard Aldington, Hugh Walpole, Somerset Maugham and many others.

"The London Omnibus" is in no sense an anthology. It contains complete novels, such as Edgar Wallace's "The Man at the Carlton" and A. P. Herbert's "The Water Gypsies." Complete plays and short stories of repute are also to be found within the covers of this collection. It is true that most readers will discover that they have read one, or perhaps several, of the works included, for the selection has been made from those writings which have stood the test of popularity in this country as well as in Europe. But few will be familiar with them all and every reader, regardless of his literary tastes, will discover something extremely worthwhile in the "omnibus."

As one glances through the pages of this volume, he becomes singularly impressed with the discriminating selection of material. There is a freedom of works written in "flowery" and high-sounding language which was relatively common among the contemporaries of these writers. The "London Omnibus" is decidedly realistic in its interpretation of the manifold aspects of life. But it does not have the post-war taint of morbidity or futility commonly found in literary works of that period. In view of the quality, it is truly one of the "literary bargains of the year."



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BAGNELL DAM, MISSOURI—A GIGANTIC WATER POWER DEVELOPMENT





THIS is the last of the series on the presidential campaigns. Next week we will resume our chronological studies, correlating historical events and developments with present problems and issues.

The presidential campaign of 1928 must be considered in relation to its economic background. The Harding-Coolidge administrations had covered a period of unexampled prosperity. There had, of course, been dips in the levels of business activity, and throughout the period prosperity was indeed spotty. Certain industries did not enjoy it. Agriculture had been in a depressed state throughout the two administrative terms. Certain of the manufacturing industries were in a bad way. But, in general, production was rising, wages were rising, profits were increasing, surpluses were accumulating, speculation was the order of the day, and to a very large proportion of the population the skies seemed rosy indeed.

Under such conditions, prospects of Republican success were bright, and there was naturally a scramble for the presidential nomination. A number of candidates were in the field. Former Governor Lowden, of Illinois, a farmer by occupation, represented the agricultural interests of the Middle West. Senators Willis, of Ohio, and Watson, of Indiana, were early in the race. Senator Curtis, of Kansas, who had been the Republican leader in the Senate, was also a candidate. And these men, all of them conservatives, were looked upon with favor by the Republican political leaders. Against this field of candidates, a field in which several other names were represented, stood Herbert Hoover, the secretary of commerce, who was not well liked by politicians, but who had a reputation as an administrator and an economic engineer. In the end his prestige was great enough to secure the nomination from the hands of a reluctant convention, and Senator Charles Curtis was made his running mate.

The Democrats were at a disadvantage from the start. It is a hard thing to dislodge the party in power during a time of prosperity. Two possibilities seemed open to the Democrats. They might take advantage of the agricultural depression and build up an opposition with

its strength rooted in rural discontent. They might name a western candidate and undertake to combine West and South, as it was combined under Bryan, and as it was later combined with victorious effect in 1916 under Wilson. The other chance was to build a party program around the Democratic strength in the great cities of the Northeast. The Democrats are strong in these cities, and, in fact, have a majority in a considerable number of them. There seemed a chance that by coming out against prohibition, the Democrats might sweep the industrial Northeast on the prohibition issue and might carry enough southern and western states, in spite of the

party's wet position, to insure victory. It happened that the Northeast supplied the outstanding Democratic leader. Governor Alfred E. Smith, of New York, was a man of appealing personality, who had rolled up tremendous victories in a state which was normally Republican, and who had won wide popularity throughout the nation. The fact of this commanding personality was sufficient to determine the issue, and Smith was nominated, his running mate being Senator Robinson, of Arkansas, the Democratic leader of the Senate.

The Republicans relied for success upon the record of their party. They took full credit for the relative prosperity of the nation. There was much talk about the "Coolidge market." Hoover, in his campaign addresses, referred frequently to the prosperous state of the country, and promised the eventual abolition of poverty. It was claimed that we had entered upon a "new economic era," that depressions were a thing of the past, and that permanent prosperity was in store for us, if only we maintained sound Republican economic policies and farseeing Republican leadership. One frequently heard slogans such as "a chicken in every pot" and "two cars in every garage."

Governor Smith had a hard task set before him. How was he to win support in the industrial, anti-prohibition East and at the same time cash in upon agricultural discontent in the West? He was not daunted by the difficulty of the task. He went before the farmers of the West, condemning Republican inattention to their cause, proclaiming Democratic sympathy and definitely promising agricultural relief. At the same time, he undertook to prove to the industrial East that the Democratic party, if given a chance, would represent business interests as well as the Republican. He discarded the traditional Democratic opposition to the tariff. He did not advocate a tariff for revenue only. He openly espoused the cause of a protective tariff and did not promise general tariff revision downward if he were elected. He did condemn the Republican legislation as having carried rates too high in some cases, and he promised piecemeal correction of those tariff abuses. But the important thing was that he had definitely aligned

himself, and for the time being the Democratic Party, for protectionism. At the same time he hammered away at the prohibition issue, demanding the repeal of the eighteenth amendment.

The most clear-cut issue of the campaign was this prohibition question. Mr. Hoover spoke of prohibition as a "noble experiment," with the aims of which he sympathized. He promised enforcement of the law, though he did declare for the examination of enforcement difficulties

by an impartial commission to determine what, if any, amendments in the enforcement procedure were called for. On this issue the Democrats were in line with the trend of public opinion more fully than the Republicans, as is evidenced by the situation which we find in 1932. The Republicans have now come approximately to the position occupied by the Democrats four years ago. Public sentiment seems to have gone in that direction. This does not mean, of course, that the Democrats were right in 1928, or that the Republicans were wrong. Because the trend of public sentiment is in a certain direction does not mean, necessarily, that the direction is a wise one. There was unquestionably a strong trend of public sentiment toward prohibition during the generation preceding 1920. There has been a strong trend away from it since then. Both these trends cannot be said to be wise. It is possible for a whole nation to go for a considerable time in the wrong direction, or rather for the great majority of the people to approve courses which are, in fact, imprudent and even hurtful.

A complication arose during the campaign in the form of an issue which was not political, but religious. Governor Smith was, and is, a Catholic. No Catholic has ever been elected to the presidency of the United States, and throughout our history there has been a feeling on the part of many non-Catholics that the presidential office should be withheld from Catholics. In fact, there has been a widespread opposition to the holding of any offices by Catholics. Most responsible religious leaders of all denominations have deplored the fact of religious prejudice and

of religious discrimination, but the feeling is there just the same, and it has frequently come to the surface. Students of American history will remember the "Know Nothing" movement of the period preceding the Civil War. This was a movement of native Americanism, opposing the influence of the foreign born and of the Catholic Church. The "Know Nothing" party fell quickly by the wayside, but its spirit survived and it has sprung up time and again since. There was the American Protective Association of the Reconstruction period, and the Ku Klux movement of the nineteen twenties. We have already seen, in the course of these studies, that the religious issue played a part in the campaign of 1880, when Blaine was probably defeated through the use, by one of his supporters, of the alliterative phrase, "Rum, Romanism and Rebellion." This term was applied to the Democratic Party and it implied that Blaine was opposed to Catholicism. He probably lost enough votes through this incident to give the state of New York, and hence the presidency, to Grover Cleveland, who carried the state by only a little more than 1,000 votes.

In 1928 the religious issue was somewhat under cover. In public addresses and in the press there were few appeals to defeat Smith because of his religion; but a very effective "whispering campaign" was carried on, and the anti-Catholic vote was mobilized against him.

The anti-Catholic feeling and the opposition of the prohibition element in the Democratic Party combined to throw a number of southern states, always heretofore reliably Democratic, into the Republican column. This loss, together with the failure of Smith to win the western states, was not compensated by the hoped-for Democratic inroads upon the Republican Northeast. Smith was not able to convince the industrialists that the Democratic Party would represent them as well as the Republican. They had been well served by Republican administrations. What reason was there for a change? And so Smith went down in overwhelming defeat. He carried only the states of Alabama, Arkansas, Georgia, Louisiana, Massachusetts, Mississippi, Rhode Island, and South Carolina, with an electoral vote of 87 and a popular vote of 15,016,443. Herbert Hoover carried all the rest of the states with an electoral vote of 444 and a popular vote of 21,392,190.

And so we come to the campaign of 1932. The tactics this year have not been disclosed fully. The Republicans are standing pat on their record. They represent American conservatism. The course of the Democrats appears somewhat uncertain. The combination of West and South controlled the convention, and gave evidence of turning the party toward progressivism, but the stand of the candidate for a protective tariff looks toward conservatism. Advanced liberalism is ably represented by Norman Thomas, Socialist candidate, but the two main parties appear to stand for policies which are moderately conservative.

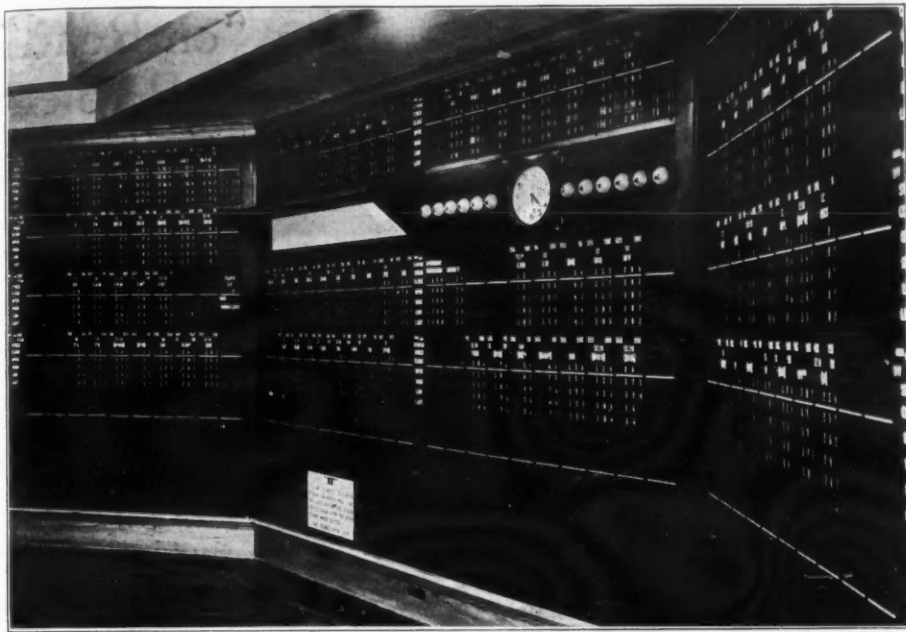


OPPOSING VIEWS OF THE 1928 PRESIDENTIAL CAMPAIGN  
HARD TO GET AROUND  
—McCutcheon in Chicago TRIBUNE



FEET OF CLAY  
—Bishop in Portland Oregon JOURNAL





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AN AUTOMATIC STOCK BROKER'S BOARD  
It is no longer necessary to have clerks record stock movements by hand. Every transaction is instantaneously shown on this new board.

## PRESENT PRICE RISE CAREFULLY FOLLOWED

(Concluded from page 1)

recovery is imminent. In the case of steel, the increase in price of stock of the leading companies, such as the United States Steel Corporation, has been due, in part at least, to a belief that the companies would soon increase their output and sales. The fact that leading railroad officials had been conferring with heads of the Reconstruction Finance Corporation in Washington about loans with which to improve railroad equipment and lines, thus necessitating the purchase of more steel, was somewhat responsible for the upward stock price movement.

As a general rule, increases in the price of stocks are due to a cause similar to that mentioned. Investors, hearing a piece of good news about a certain company, desire to obtain shares of stock. If they believe that a corporation has received large orders and will be obliged to increase its production they enter the market. They usually act in anticipation of future production. Hence the rise in stock prices may have nothing to do with the actual state of business of the organization at the time investors buy the stock.

It seems fairly certain that in the present trend, the action of the government and the Federal Reserve Banks has been an important factor. With the making available of additional credit by the banks to prospective purchasers, there has come to prevail a more general belief that more goods will be sold, thus causing an increase in the production and sales of large companies.

In the matter of commodity prices, the causes may be more easily traced. The announcement that the Federal Farm Board was going to sell its holdings of wheat and cotton to privately organized pools had a stimulating effect upon the price of those two commodities. The execution of that plan would remove from the market an uncertain source of supply—the Farm Board—which has often depressed the price of wheat and cotton by selling large quantities at unexpected moments.

### BUSINESS INDICES

Important as these price increases may be, they do not reveal the whole story. The state of business in the country cannot be judged by the stock market or the commodity markets. Contrary to the belief of many people, business is not good when the price of stocks is up and bad when it is down. The true business condition is to be found elsewhere. Economists and careful students of business trends have discovered a method of gauging general business activity. This they do by means of certain indicators or in-

dices. By means of thorough analysis, they have discovered a method of making a business barometer which indicates as nearly as possible the true state of business.

These barometers have been watched carefully during the course of the depression by those who look for a real upward trend. They know that if the "mercury" continues to fall, business is not improving regardless of rumors and flurries in the stock market. They realize that the barometer must rise before better times are possible. A number of these business barometers, or indices, are prepared in this country. The leading New York newspapers, such as the *Times*, the *Herald-Tribune* and the *Evening Post* publish weekly indices. The trade and statistical journals, such as *The Business Week*, and *The Analyst*, perform the same service. The Department of Commerce puts out a weekly business index, showing industrial and commercial trends.

While these indicators are perforce not complete, they do reveal a fairly accurate picture of the business situation. Some are more complete than others because they make up their general business index from a larger number of specific factors. But they all move in the same direction at the same time. For example, if one turns to the financial section of the periodicals mentioned, and looks at the business index for the first week of August, he will notice that they all show a downward movement. Thus one is able more readily to understand the general state of business for that week.

### HOW ARRIVED AT

The various items used in making up the general business index or barometer represent all types of commercial, financial and industrial activity. The amount of steel produced, the number of automobiles manufactured, the tons of bituminous coal mined, the quantity of electric power generated are considered as basic statistics in making up the index. The necessity of using these figures can be appreciated when one realizes their importance as "key" industries. If little electric power is sold, factories are not working full time. If the steel mills are not operating, building is not being carried on as formerly. These items of production, therefore, constitute an essential part of the whole business situation.

But they form only a part. Trade statistics must be included in order to determine the amount of goods being sold. In this group, the number

of freight cars loaded each week is of major importance because it reveals the extent to which goods are being marketed. Then, the number of checks issued is an important item because it tends to indicate whether people are purchasing goods. The amount of credit granted to their customers by commercial banks plays a part in the general makeup because it shows whether merchants are borrowing funds with which to buy various products.

Other major factors have already been mentioned, namely, the price of securities—stocks and bonds—and the price of commodities. Now, when the general barometer, or index, is made up, these figures must all be lumped together and a general average taken. But before this can be done, it is necessary to fix a standard; that is, the normal business condition must be determined. So, it is decided that during a certain year con-

ditions were fairly normal. The business index for that year is placed at 100. The average of all carloadings, steel, automobile, coal and electric power production, stock, bond and commodity prices, checks issued and credit granted is equal to 100. In other words, business activity for that year is considered equal to 100 per cent. A number of the indices consider 1926 as the normal year; others take an average of several years before the depression; still others take figures which they consider to represent normal business activity and fix the average at 100.

Once the "normal" or 100 is decided upon, the task of the following weeks and years is a question of mathematics. If only one-half as many freight cars are loaded during the next period, that particular index is 50. If automobile production decreases one-fourth, the index is 75, and so on with the others. It may happen that prices are 25 per cent higher. Then that index becomes 125. The average of all these individual indices is taken and the combined business index found.

### PAST THREE YEARS

An examination of the general business index of the past three years shows a steady decline. The New York *Times* index covering the week ended August 6 showed an almost vertical plunge to the lowest depth yet recorded. At that time, it stood at 52.2, a decline of more than one per cent over the preceding week. In October, 1930, the same index was about 85. In January of this year, it was almost 65. All the various items used to

make up the combined index declined to new low levels; steel mill production, for example, being equal to only about 14 per cent of normal capacity. There were fewer cars loaded, a falling off in the number of automobiles and trucks manufactured. Practically the only favorable index for the August 6 record was the increased activity of cotton manufacturing. But this was not sufficient to offset the other declines and bring the general average up.

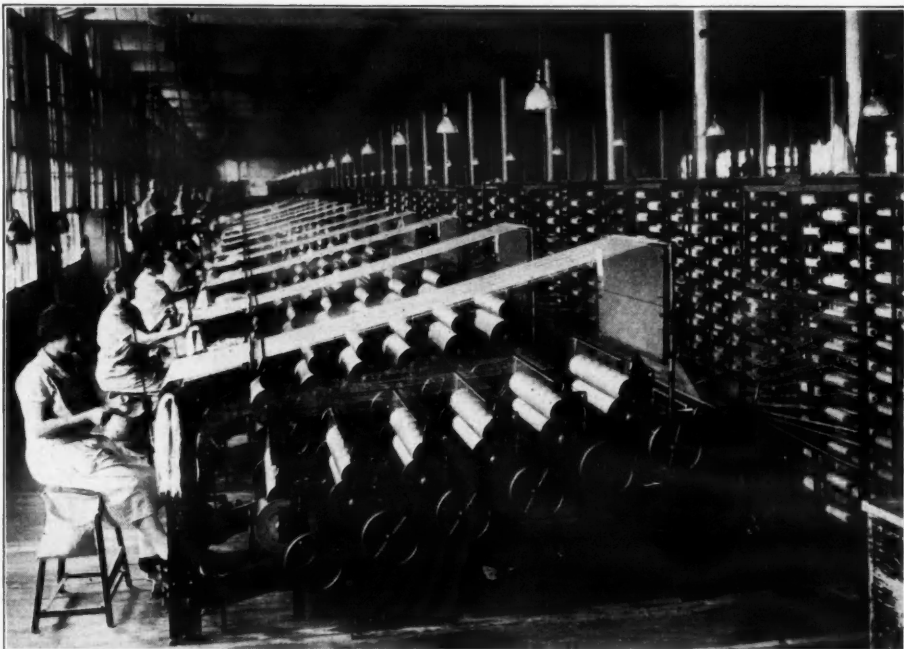
These figures are used by the pessimists who cling firmly to the belief that the present upward turn in prices, stock and commodity, is unwarranted by conditions and does not in any way reveal the true state of business. They expect the market to decline to its recent depths after the present flurry is over. They attribute the rise solely to speculation. In their opinion, the government has given added impetus to the movement by its policy of expanding the credit facilities of the Federal Reserve banks.

On the other hand are the people who believe that the month of July actually started the upgrade trend. They do not, of course, ignore the business indices, but believe that the actual figures of business activity will not show gains until sometime after the commodity and stock markets have started upward.

### SIGNIFICANCE OF RISE

Whether this view is correct, or whether the July-August movement will only be a repetition of what occurred in October and November of last year, can only be determined by future developments. A study of business data, however, does reveal that in many depressions of the past the security markets have started upward long in advance of actual production and distribution of goods. Back in 1908, for instance, the stock market rose constantly during the first six months. During the same period general business conditions were becoming worse but did begin to improve about the middle of the year. Many times the stock market has anticipated recovery and has started to rise one month, or several months, before the business barometer has revealed any hopeful signs. In other cases of depression, the two have risen simultaneously.

It is of course not unnatural that stock prices should often rise before increased production begins. It is generally the expectation that companies will soon begin to produce and sell more goods and make larger profits that causes investors to buy shares of their stock. This demand naturally boosts the price. And even if these hopes and expectations are actually based upon orders received, it will be some time before goods are placed in freight cars, checks are drawn in payment thereof or other items affecting the business index have been changed.



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THE COTTON INDUSTRY—A VITAL FACTOR IN RECOVERY  
The recent rise in the price of cotton and wheat has created new optimism and new hope that the depression is loosening its grip on the country.



## Mayor Walker's Trial at Albany Attracts Interest of Entire Nation

**New York Mayor's Career at Stake. Governor Roosevelt's Decision May Affect Political Fortunes in Presidential Campaign**

Thursday, August 11, was a day on which two events of paramount importance occurred. One was President Hoover's acceptance speech which was heard not only by several thousand enthusiastic listeners at Constitution Hall in the capital city, but also by millions of radio listeners throughout the country. The other event which attracted nation-wide attention was the trial of Mayor Walker of New York City, which was opened in Albany, the state capital. President Hoover's chief opponent in the coming election, Governor Roosevelt, played the role of judge at this trial. Mr. Roosevelt was faced with the necessity of making a decision which many believe of such magnitude that his chance of entering the White House may hinge upon it. He had before him the difficult task of deciding whether or not he should remove the mayor of New York from office in the light of damaging evidence which had been uncovered by Samuel Seabury, prosecuting attorney of the Hofstadter Committee.

### HOFSTADTER COMMITTEE

The Walker case is another of those incidents which have become common in American municipalities. During the past few years, many complaints have been made in New York City against corruption among officials in the city government. Finally, these charges became so numerous that the state legislature on March 23, 1931, authorized the organization of the Hofstadter Committee to make a thorough investigation of New York City's government. This committee was requested to make a report on its findings "not later than February, 1932." Five hundred thousand dollars was appropriated for defraying its expenses. However, as the task which the committee had to perform was tremendously difficult, due to the reticence of officials in giving information, the committee had not yet completed its undertaking when the time limit was about to expire. On January 27, 1932, a bill extending the committee's life until February 1, 1933, was approved, and on March 11, another appropriating \$250,000 additional for committee expenses went into effect. Since its formation, the committee has examined more than 3,000 witnesses and has taken more than 10,000 pages of testimony.

Judge Samuel Seabury was appointed prosecuting attorney for the committee. He has worked arduously in his work to expose corruption. At times, he has been severely criticized for the methods used in obtaining evidence, but his followers say that it is natural for him to be attacked by individuals and interests which find it to their disadvantage to have their affairs scrutinized. In several cases where he has brought charges against prominent officials of Tammany Hall, he has been accused by members of this organization of discrediting these officials solely from personal motives. His opponents have claimed that he was endeavoring to win public recognition as a reformer, looking forward to a high political office as a reward for his exposures.

Those in favor of the investigation maintain that regardless of what may have motivated Judge Seabury in his work, there can be no doubt that he and his colleagues have uncovered some startling evidence relative to the dishonesty of New York City officials, which has cost the taxpayers

of that municipality millions of dollars a year.

### ITS FINDINGS

The committee reported that certain city officials have been, and are at the present time, coöperating with lawbreakers in return for a share of the profits. This coöperation was found to be particularly prevalent between police officers and officials on the one hand and professional gamblers, proprietors of speakeasies and bootleggers on the other. The committee also reported that officials have frequently used their positions to advance the interests in which they themselves were engaged or with which they were connected. These are but a few of the illegal practices which exist, according to the Hofstadter

tion which he has sponsored for the benefit of these companies.

These are illustrative of the numerous other charges which were filed against Mayor Walker. Judge Seabury was determined that the mayor should be removed from office unless he could satisfactorily answer the accusations. At the time of this writing, the hearings have not been completed, but Governor Roosevelt is expected to make his decision in a few days.

Many political leaders believe that Governor Roosevelt is as much on trial as Mayor Walker. The mayor is a member of Tammany Hall. This organization has been to a large degree responsible for Walker's long term as mayor. It is a Democratic organization, and Governor Roosevelt hopes to obtain its support at the polls in November. However, Tammany has been only lukewarm to the governor since he announced his candidacy for the presidency. At the Democratic Convention, Tammany supported ex-Governor Smith, and was openly hostile to Mr. Roosevelt. Since the convention, the members of this organization have become more friendly toward the present governor and have announced their intentions of backing him in



MAYOR JAMES J. WALKER ARRIVING IN ALBANY FOR THE HEARING OF HIS CASE BEFORE GOVERNOR ROOSEVELT

Committee. It will suffice to say that the committee found convincing evidence that corruption has reached the point where certain concrete measures should be adopted to "clean up the city." The committee is completing a list of legislative recommendations which it believes will check corrupt practices in the future.

During the course of the investigation Judge Seabury found evidence, pointing to Mayor Walker's connection in a number of dubious cases from a lawful standpoint. He gathered this evidence and several weeks ago presented it to Governor Roosevelt with a request that Mr. Walker be immediately removed from the mayoralty of New York. Some of the principal charges listed against the mayor are (1) that he failed properly to execute his official duties—that he was actuated by improper and illegal considerations, and that his explanations of his official acts were unworthy of credence; (2) that the mayor violated the city charter by holding convertible bonds of the Reliance Bronze and Steel Corporation, which received a city contract for traffic light standards; (3) that the mayor, to the detriment of the city, sponsored the Equitable Bus franchise; (4) that on the day prior to the signing of the Equitable franchise, the mayor received a \$10,000 letter of credit from one of the Equitable promoters; (5) that the mayor on several occasions has received large remunerations from private companies in return for favorable legisla-

the November election. But if Governor Roosevelt removes one of Tammany's leaders from the mayoralty of New York, will this organization still lend its support to Roosevelt in the coming campaign?

The question may be asked as to why it is so important to receive Tammany's support in a national election? The answer lies in the fact that it is thought by many that this year's election will be decided by a very small margin. The decision as to who our next president will be may rest in the voting power of New York State. Tammany controls a large share of the votes in New York City, and Democratic leaders believe that if Governor Roosevelt can win New York City that he has a good chance of winning the state. Thus Roosevelt followers are particularly anxious to incur the good favor of Tammany. However, Governor Roosevelt maintains that his decision will be of a judicial nature and that political considerations will be cast aside.

During the trial, the defense for Mayor Walker questioned the legality of a mayor's removal from office by a governor. Section 122 of the Greater New York Charter provides:

The Mayor may be removed from office by the Governor in the same manner as Sheriffs, except that the Governor may direct the inquiry provided by law to be conducted by the Attorney General; and after the charges have been received by the Governor he may, pending the investigation, suspend the Mayor for a period not exceeding thirty days.

## Boys "on Road" Present Problem

**Many Homeless Youths Roaming From Place to Place**

The Children's Bureau of the Department of Labor recently completed a survey of a national problem which is startling in nature. It was found that thousands of boys between the ages of twelve and twenty are roving the country, not knowing from day to day from whence their next meal will be obtained. Between 200,000 and 300,000 youths are "on the road," cut loose from their home surroundings and unable to adjust themselves. The Bureau says that the great majority of these boys have been forced to leave their homes during the past two years because of depleted family incomes.

"Boys accustomed to decent standards of living," states the Bureau's report, "find themselves going for days at a time without taking off their clothes to sleep at night, becoming dirty, unkempt, a host to vermin. They may go for days with nothing to eat but coffee, bread and beans. In winter they suffer from exposure. Last winter, in one western city, thirty-five young men and boys were removed from box cars, seriously ill, some in an advanced stage of pneumonia."

This unpleasant picture presents a social problem of first rank. It is feared that unless these youths are helped they will become a continuing liability. They frequently come into contact with fugitives from justice who are planning new "jobs" and looking for clever recruits. And even if these youths do not meet with evil influences, the longer they travel and acquire the nomad spirit, the more difficult it will be for them ever to settle down to a stable existence.

The Children's Bureau has planned a national publicity campaign for the month of September, warning boys of the hardships that will be encountered by "taking to the road." The Bureau also has urged welfare agencies throughout the country to make a supreme effort for the return of these wanderers to their respective homes. As a means of checking a future movement of this character, the Bureau asks for state assistance in providing activities for idle hands. California is cited as an example of progressiveness in this regard. It has established camps where reforestation is carried on, furnishing boys with interesting work as a natural outlet for their energy. The Bureau reports:

A community that seriously sets out to organize such a program would certainly find among its own unemployed many men and boys of imagination and enterprise with executive ability and qualities of leadership to whom much of the development of the projects might be entrusted. State leadership and probably state financial assistance doubtless will be needed, with all communities participating in intelligent planning on a state-wide coöperative basis.

Not satisfied with just splitting the atom, the Germans have found a way to pulverize it. It has been announced that the German General Electric Company has discovered a process which makes it possible to smash millions of atoms to the point of disintegration. It is felt that this new advance in atom smashing will prove of great significance to science. However, the full importance of the discovery will not be known until the proper apparatus has been developed to facilitate the process of pulverization on a large scale. It will be remembered that only recently scientists first discovered the secret of splitting the atom.